



# 2019 Transparency Report

**Committed to driving audit quality**

KPMG Luxembourg, Société coopérative

January 2020



[kpmg.lu](http://kpmg.lu)



# KPMG values

We **lead by example** at all levels in a way that exemplifies what we expect of each other and member firms' clients.

We **work together** to bring out the best in each other and create strong and successful working relationships.

We **respect the individual** for who they are and for their knowledge, skills and experience as individuals and team members.

We **seek the facts and provide insight** by challenging assumptions and pursuing facts to strengthen our reputation as trusted and objective business advisors.

We **are open and honest** in our communication and share information, insight and advice frequently, and constructively manage tough situations with courage and candor.

We **are committed to our communities** to act as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities.

Integrity is a critical characteristic that stakeholders expect and rely on. Therefore, above all, we **act with integrity** and are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.



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# Focused on quality

The millions of investment decisions made around the world each day are dependent on the sound functioning of the capital markets. At KPMG, we know we have an important responsibility to serve the capital markets by delivering quality audits that contribute to financial reporting integrity so investors have the confidence and trust to make key decisions.

In our 2019 Transparency Report<sup>1</sup>, we will share with you how we deliver on our fundamental promise of audit quality to the public interest, investors, audit committees and the stakeholders we serve.

Our actions are guided by our values, vision and purpose. We aim to live up to the high standards we set for ourselves while continually building upon our sound audit quality foundations, in terms of how we manage both our firm and our audit engagements.

To ensure that our audit professionals have the support and solutions they need, we are deploying an updated audit methodology and a new audit workflow system, hosted in KPMG Clara, our 'smart' audit platform. The platform brings our powerful data and analytic capabilities into one interface – with the ability to integrate new technologies such as artificial intelligence and machine learning.

Our vision to lead the way in audit quality is clear. We are taking action, we're investing and we're determined to make it happen.

Luxembourg, 28 January 2020



Philippe Meyer  
*Managing Partner*



Emmanuel Dollé  
*Head of Audit*

<sup>1</sup> Our Transparency Report for the year ended 30 September 2019 has been prepared in accordance with the provisions of Article 13 of the EU Regulation 537/2014 of the European parliament and the Council of 16 April 2014.



# Who we are

## Our business



KPMG Luxembourg, Société coopérative is a professional services firm that delivers Audit, Tax and Advisory services.

As at 30 September 2019, we employed 1,760 people. We operate out of one office in Luxembourg. Full details of our service offerings can be found on our website at the following link: [www.kpmg.com/lu](http://www.kpmg.com/lu).

## Our strategy



Our strategy is set by our Executive Committee and demonstrates a commitment to quality and trust. Our focus is to invest significantly in priorities that form part of a multi-year collective strategy implementation that is taking place across our entire global network.

Our overall ambition is to be the most trusted and trustworthy professional services firm.

To achieve that we must maintain and further increase the trust our clients, our people and wider society have in our ability to provide assurance in the widest sense.

Our strategy to achieve this is underpinned by four key pillars:

- (i) being an issues led business – focusing relentlessly on the issues that keep our clients awake at night,
- (ii) being market focused – offering the breadth of our services to our clients where this is appropriate and being more concentrated on the market opportunities for growth,
- (iii) achieving operational excellence in everything we do – delivering our services in an efficient, agile and cost-effective manner but at the same time never compromising on quality; and
- (iv) culture and motivation – maintaining a high performance culture where our people can excel.



# Our structure and governance

## Legal structure



KPMG Luxembourg, Société coopérative is affiliated with KPMG International Cooperative ('KPMG International'), a Swiss cooperative which is a legal entity formed under Swiss law. It is the entity with which all the member firms of the KPMG network are affiliated. Further details about KPMG International and its business activities, including our relationship with it, are available in the '[Governance and leadership](#)' section of the [KPMG International Transparency Report](#).

KPMG Luxembourg is part of a global network of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations. The KPMG organization structure is designed to support consistency of service quality and adherence to agreed values wherever its member firms operate.

KPMG Luxembourg, Société coopérative is incorporated as a Luxembourg private limited liability cooperative company which is wholly owned by its partners.

During the year to 30 September 2019 KPMG Luxembourg, Société coopérative operated as a registered audit firm in Luxembourg ('Cabinet de révision agréé').

Since 2016 a wholly owned subsidiary, KPMG Services S.à r.l., is incorporated as a Luxembourg private limited liability company and licensed as a Professional of the Financial Sector.

The details of the legal structure, regulatory status, nature of business and area of operation of both entities are set out in [Appendix 1](#).

## Name, ownership and legal relationships



KPMG is the registered trademark of KPMG International and is the name by which the member firms of KPMG International are commonly known. The rights of member firms to use the KPMG name and marks are defined by agreements with KPMG International.

Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm's obligations or liabilities.

Member firms may consist of more than one separate legal entity. If this is the case, each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

During the year to 30 September 2019 there was an average of 43 partners at KPMG Luxembourg (2018: 41 partners).



## Responsibilities and obligations of member firms



Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International's policies, procedures and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

Each member firm takes responsibility for its management and the quality of its work.

Member firms commit to a common set of KPMG values.

KPMG International's activities are funded by a levy paid to it by member firms. The basis for calculating such amounts is approved by the Global Board and consistently applied to the member firms. A firm's status as a KPMG member firm and its participation in the KPMG network may be terminated if, among other matters, it has not complied with the policies, procedures and regulations set by KPMG International or any of its other obligations owed to KPMG International.

## Governance structure



KPMG Luxembourg applies high standards of corporate governance. The key governance bodies for KPMG Luxembourg are the Executive Committee and the Supervisory Board.

The Executive Committee consisted of five members during the year, comprising a number of key national and functional leaders. The role of the Executive Committee is to provide leadership to the organization and it is responsible for our long term growth and sustainability, setting our strategy and overseeing its implementation, monitoring performance against our business plan and protecting and enhancing the KPMG brand. The Executive Committee also deals with key Luxembourg operational issues.

The Executive Committee meets regularly – in the year to 30 September 2019 it met 46 times.

The Supervisory Board consists of five members who are representative of the firm's partners.

The role of the Supervisory Board is to provide oversight of the management of the firm by the Executive Committee, to provide support by acting as a sounding board for the Executive Committee, and to review the local partner remuneration process and the financial statements of the local firm at the year end. In the year to 30 September 2019 the Supervisory Board met 10 times, including three meetings with the Managing Partner and two joint meetings with the Executive Committee.

Details of those charged with governance for KPMG Luxembourg are set out in [Appendix 2](#).



# System of quality control

Tone at the top, leadership, and a clear set of values and conduct are essential to set the framework for quality. However, these must be backed up by a system of quality control that ensures our performance meets the highest professional standards.

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG has developed the Audit Quality Framework, based on International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB) and on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.

KPMG International has quality control policies that apply to all member firms. These are included in KPMG’s Global Quality & Risk Management Manual (Global Q&RM Manual) which applies to all KPMG partners and employees. KPMG Luxembourg is required to establish and maintain a system of quality control and design, implement, and test the operating effectiveness of quality controls.

Our firm is required to implement KPMG International policies and procedures and also adopts additional policies and procedures that are designed to address rules and standards issued by the Commission de Surveillance du Secteur Financier (CSSF) and other relevant regulators as well as applicable legal and regulatory requirements.

Quality control and risk management are the responsibility of all KPMG partners and employees wherever they are based. This responsibility includes the need to understand and adhere to firm policies and associated procedures in carrying out their day-to-day activities.

While this Transparency Report summarizes KPMG’s approach to audit quality, it may also be useful for stakeholders interested in member firms’ Tax and Advisory services, as many KPMG quality control procedures and processes are cross-functional and apply equally to all services offered.

## Audit Quality Framework

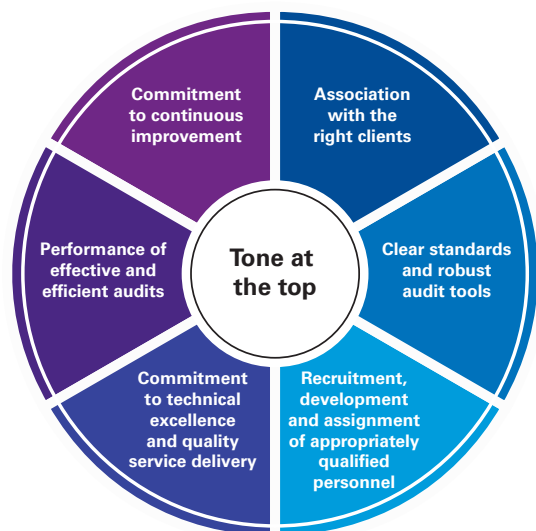
At KPMG audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought and integrity behind the auditors’ report. The outcome of a quality audit is the delivery of an appropriate and independent opinion in compliance with relevant professional standards and applicable legal and regulatory requirements.

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG International has developed the Audit Quality Framework.

KPMG’s framework introduces a common language that is used by all KPMG member firms to describe what they believe drives audit quality and to highlight how each of their audit professionals contributes to the delivery of audit quality.

“Tone at the top” sits at the core of the Audit Quality Framework’s seven drivers of audit quality and helps ensure that the right behaviors permeate all KPMG member firms.

All of the other drivers create a virtuous circle, because each driver is intended to reinforce the others. Each of the seven key drivers is described in more detail in the following sections of this report.







## Tone at the Top



KPMG global leadership, working with regional and member firm leadership, plays a critical role in establishing our commitment to quality and the highest standards of professional excellence. A culture based on quality, integrity and ethics is essential in an organization that carries out audits and other services on which stakeholders and investors rely.

At KPMG Luxembourg we promote a culture in which consultation is encouraged and recognized as a strength.

Tone at the top means that our leadership demonstrates its commitment to quality, ethics and integrity and communicates its commitment to clients, stakeholders, and society at large to earn public trust through a number of mechanisms including:

- Culture, Values, and Code of Conduct – clearly stated and demonstrated in the way we work;
- A strategy with quality at its heart;
- Standards set by leadership;
- Governance structures and clear lines of responsibility for quality, skilled and experienced people in the right positions to influence the quality agenda.

Our values are set out in the [Introduction](#).

### KPMG Global Code of Conduct

KPMG's commitment to integrity and quality is enshrined in the KPMG values that lie at the heart of the way we do things. They define KPMG's diverse and inclusive culture and our commitment to the right personal and professional conduct emphasizing that, above all, KPMG people act with integrity.

The KPMG values are communicated clearly to all people and are embedded into member firms' people processes – induction, performance development and reward.

Building on the KPMG values is the [KPMG Global Code of Conduct](#). Member firms, including KPMG Luxembourg are required to adopt, as a minimum standard, the Global Code of Conduct.

### KPMG Luxembourg Code of Conduct

In addition KPMG Luxembourg's Code of Conduct lays out the expectations of ethical behavior for all partners and employees and is built on the foundation of the KPMG values.

Our Code of Conduct emphasizes that each partner and employee is personally responsible for following the legal, professional and ethical standards that apply to his or her job function and level of responsibility.

Our Code of Conduct sets out our commitments and includes provisions that require KPMG partners and employees to:

- comply with all applicable laws, regulations, professional standards and KPMG policies
- work with the right clients and third parties
- focus on quality
- maintain our objectivity and independence
- not tolerate any illegal or unethical acts, whether committed by or within KPMG Luxembourg by clients, or suppliers, or public officials with whom we deal
- protect information
- compete fairly
- help our people to be extraordinary
- be responsible corporate citizens
- build public trust.

All KPMG Luxembourg partners and employees are required to:

- comply with both the Code of Conduct and confirm their compliance with the Code of Conduct upon joining the firm, and annually thereafter; and
- complete regular training covering the Code of Conduct.

Individuals are encouraged to speak up when they see something that makes them uncomfortable or that is inconsistent with the KPMG values.

Moreover, everyone at KPMG is responsible for reporting, and is required to report, any activity that could potentially be illegal or in violation of the KPMG values, KPMG policies, applicable laws, regulations or professional standards.

We have procedures and established channels of communication so that our people can report ethical and quality issues. Retaliation is prohibited against individuals who 'raise their hand' and speak up in good faith.

We operate a whistle-blowing hotline in Luxembourg which is available to KPMG personnel to confidentially report concerns they have relating to how others are behaving (both internally and externally) and concerns regarding certain areas of activity by members of the group itself, those who work for KPMG Luxembourg and the senior leadership of the firm. The whistle-blowing hotline allows people to report their concerns via a secure internet line to a third-party organization. Our people can raise matters anonymously and without fear of retaliation.

In addition, the [KPMG International hotline](#) is a mechanism for KPMG partners, employees, clients and other third parties to confidentially report concerns they may have relating to certain areas of activity by KPMG International itself, activities of KPMG member firms or the senior leadership or employees of a KPMG member firm.

At KPMG Luxembourg, we regularly monitor the extent to which our people feel we live the KPMG values through the Global People Survey.



## Leadership responsibilities for quality and risk management



KPMG Luxembourg demonstrates commitment to quality, ethics and integrity, and communicates our focus on quality to clients, stakeholders and society.

Our leadership plays a critical role in setting the right tone and leading by example – demonstrating an unwavering commitment to the highest standards of professional excellence and championing and supporting major initiatives.

Our leadership team is committed to building a culture based on quality, integrity and ethics, demonstrated through their actions – written and video communications, presentations to teams and one-to-one discussions.

While we stress that all professionals are responsible for quality and risk management, the following individuals have leadership responsibilities for this.

### Managing Partner

In accordance with the principles in the International Standard on Quality Control 1 (ISQC1), our Managing Partner has assumed ultimate responsibility for KPMG Luxembourg's system of quality control. The Managing Partner together with the Executive Committee has taken measures to ensure that a culture of quality prevails within KPMG Luxembourg.

### Ethics and Independence Partner (EIP)

The Ethics and Independence Partner has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG Luxembourg and reports on ethics and independence issues to the Managing Partner.

### Head of Audit, Tax and Advisory

The three heads of the client service functions (Audit, Tax and Advisory) are accountable to the Managing Partner for the quality of service delivered in their respective functions. Between them, they determine the operation of the risk management, quality assurance and monitoring procedures for their specific functions. These procedures make it clear that at the engagement level, risk management and quality control is ultimately the responsibility of all professionals in the firm.

The Head of Audit is responsible for leading a sustainable high-quality Audit practice that is attractive to KPMG partners and employees. This includes:

- Setting the right 'tone at the top' by demonstrating an unwavering commitment to the highest standards of professional excellence, including skepticism, objectivity, and independence;
- Developing and implementing strategies to monitor and maintain knowledge and skills required of partners and employees to fulfil their professional responsibilities;

- Working with the Quality & Risk Management Partner to monitor and address audit quality and risk matters as they relate to the Audit practice, including an annual evaluation of activities considered to be key to audit quality.

### Quality & Risk Management Partner

Operational responsibility for the system of quality control, risk management and compliance in KPMG Luxembourg has been delegated to the Quality & Risk Management Partner (Q&RMP) who is responsible for setting overall professional risk management and quality control policies and monitoring compliance for KPMG Luxembourg.

The Quality & Risk Management Partner attends all meetings of the Executive Committee of KPMG Luxembourg.

He has a direct reporting line to the Managing Partner and consults with the appointed Area Quality and Risk Management Leader. He is supported in Luxembourg by Functional Quality & Risk Management Partners.

### Quality Performance Liaison Partner

The Quality Performance Liaison Partner (QPLP) is responsible for the performance of the Quality Performance Review Program in the Audit practice.

The QPLP reports the results of the program to the Quality & Risk Management Partner, the Head of Audit and the Managing Partner of KPMG Luxembourg.

### Investing in continuous improvement

KPMG globally continues to invest significantly in audit quality across the Global Organization. We are building on our sound audit quality foundations, both in terms of how we manage our firms and our audit engagements.

This means significant ongoing investment in our system of quality management, global monitoring of audit quality, our professionals and enhanced support, technology and tools for engagement teams.

Our global audit quality program ensures consistent deployment of investments to enhance and support a common approach.

## Association with the right clients



### Acceptance and continuance of clients and engagements

Rigorous client/engagement acceptance and continuance policies are vital to being able to provide high-quality professional services.

KPMG's client and engagement acceptance and continuance systems and processes are designed to identify and evaluate any potential risks prior to accepting or continuing a client relationship, or performing a specific engagement.



KPMG firms must evaluate whether to accept or continue a client relationship, or perform a specific engagement. Where client/engagement acceptance (or continuance) decisions pose significant risks, additional approvals are required.

## Client and engagement acceptance process

### *Client evaluation*

KPMG Luxembourg undertakes an evaluation of every prospective client.

This involves obtaining sufficient information about the prospective client, its key management and beneficial owners and then properly analyzing the information to be able to make an informed acceptance decision.

This evaluation includes completion of a questionnaire to assess the client's risk profile and obtaining background information on the client, its key management, directors and owners. In addition, we obtain additional information required to satisfy our local legal and regulatory requirements.

The Risk Management Department as well as the evaluating partner, approves the prospective client evaluation. Where the client is considered to be 'high risk' the Quality & Risk Management Partner or a sufficiently skilled and experienced delegate is involved in approving the evaluation.

### *Engagement evaluation*

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement.

A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, public perception, as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of partners and employees assigned to staff the engagement. The evaluation is made in consultation with other senior partners and/or employees and includes review by Quality & Risk Management leadership as required.

Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional independence evaluation procedures, including a review of any non-audit services provided to the client and of other relevant business and personal relationships.

Similar independence evaluations are performed when an existing audit client becomes a public interest entity or additional independence restrictions apply following a change in the circumstances of the client.

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks.

Any potential independence or conflict of interest issues are required to be documented and resolved prior to acceptance.

Our firm will decline a prospective client or engagement if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional standards and our policies, or there are other quality and risk issues that cannot be appropriately mitigated.

## Continuance process

KPMG Luxembourg undertakes an annual re-evaluation of all its audit clients. The re-evaluation identifies any issues in relation to continuing association and any mitigating procedures that need to be put in place (this may include the assignment of additional professionals such as an Engagement Quality Control (EQC) reviewer or the need to involve additional specialists on the audit).

Recurring or long running non-audit engagements are also subject to periodic re-evaluation.

In addition, clients are required to be re-evaluated if there is an indication that there may be a change in their risk profile, and as part of the continuous independence evaluation process, engagement teams are required to identify if there have been any changes to previously identified threats or if there are new threats to independence. The threats are then evaluated and, if not at an acceptable level, are eliminated or appropriate safeguards are applied to reduce the threats to an acceptable level.

## Withdrawal process

Where KPMG Luxembourg obtains information that indicates that we should withdraw from an engagement or from a client relationship, we consult internally and identify any required legal, professional and regulatory responsibilities. We also communicate as necessary with those charged with governance, the CSSF and any other appropriate authority.

## Client portfolio management

KPMG Luxembourg leadership appoints engagement partners who have the appropriate competence, capabilities, time and authority to perform the role for each engagement.

We review each audit partner's client portfolio at least annually in individual discussions with the audit partner. The reviews consider the industry, nature and risk of the client portfolio as a whole along with the competence, capabilities and capacity of the partner to deliver a quality audit for every client.

## Clear standards and robust audit tools



All KPMG Luxembourg's professionals are expected to adhere to the policies and procedures of KPMG International and KPMG Luxembourg (including independence policies) and we provide a range of tools to support them in meeting these expectations. The KPMG Luxembourg policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethical, and quality control standards, and other relevant laws and regulations.



## Our approach to audit

### Consistent audit methodology and tools

The KPMG audit methodology developed by the KPMG Global Solutions Group (KGSG) is based on the requirements of the International Standards on Auditing (ISAs) as well as the auditing standards of PCAOB and AICPA. The KPMG audit methodology is set out in KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs, which KPMG International believes enhance the quality of the audit. The methodology emphasizes applying appropriate professional skepticism in the execution of audit procedures and requires compliance with relevant ethical requirements, including independence. Enhancements to the audit methodology, guidance and tools are made regularly to be in compliance with standards, emerging auditing areas of focus and audit quality results (internal and external). Key topics include risk identification, assessment and response, accounting estimates, group audits and audit sampling.

KPMG member firms may add local requirements and/or guidance in KAM to comply with additional professional, legal, or regulatory requirements.

KAM contains examples and guidance for, among other things, procedures intended to identify and assess the risk of material misstatement and procedures to respond to those assessed risks.

The KPMG audit methodology is enabled through eAudit, an activity-based workflow and electronic audit file used by all KPMG member firms. eAudit is KPMG's audit documentation workflow that allows professionals to complete high quality and consistent audits. eAudit integrates KPMG's audit methodology, guidance and industry knowledge, and the tools needed to execute and document the audit work performed.

eAudit can be "scaled" to present the relevant requirements and guidance, depending on the nature of the entity to be audited and in accordance with professional standards and applicable legal and regulatory requirements. It provides direct access to KPMG's audit guidance, professional standards and documentation templates.

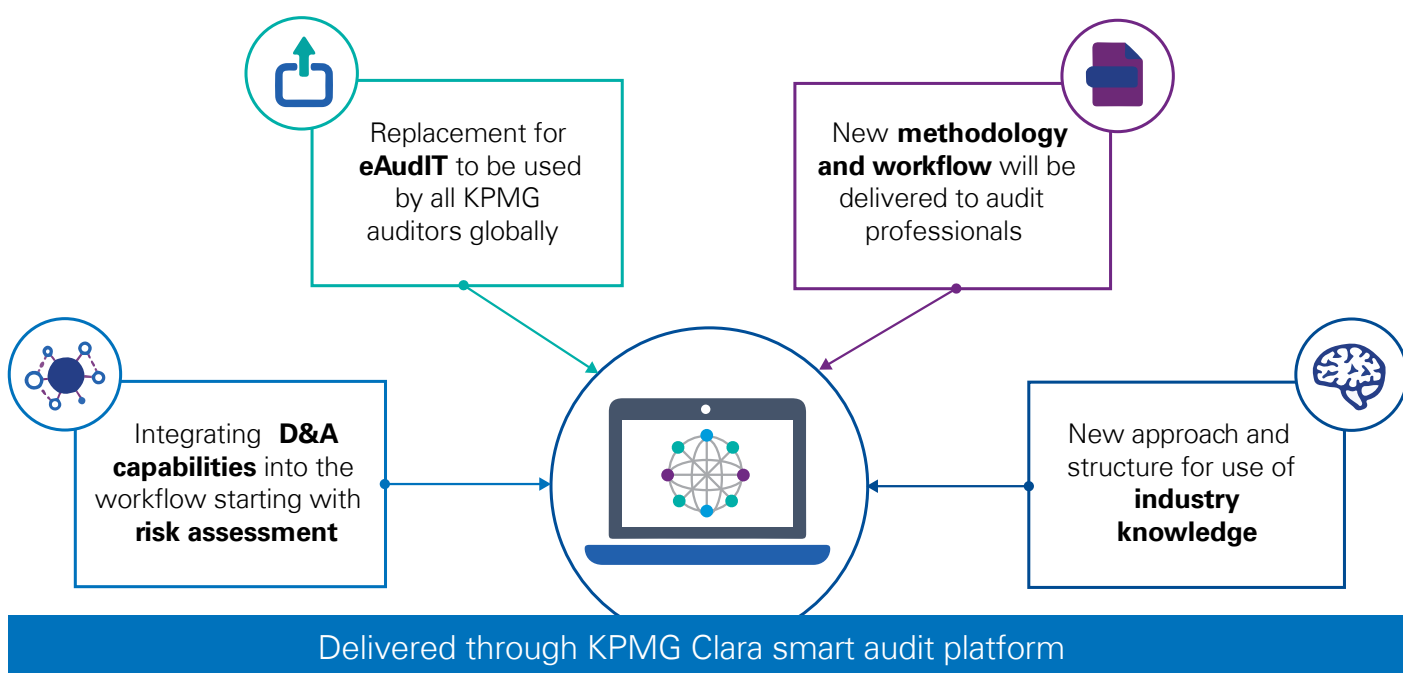
### KPMG Clara workflow

KPMG has been investing significantly in evolving the Global Organization's audit capabilities and will continue to do so in the coming years including a new global electronic audit workflow delivered through KPMG Clara platform – KPMG's smart, modular audit platform – capable of continually integrating new and emerging technologies, with advanced capabilities embedded that leverage data, automation, and visualization. Data & Analytics (D&A) is integral to the way how KPMG member firms obtain audit evidence and interact with clients in the digital era.

KPMG Clara workflow was piloted in 2018, is planned for initial deployment globally in 2019, and full deployment beginning in 2020.

KPMG's high-quality audit process will continue to include:

- timely partner and manager involvement throughout the engagement
- access to the right knowledge including involvement of specialists, training and experience requirements and relevant industry expertise
- critical assessment of all audit evidence obtained during the audit, exercising appropriate professional judgment
- ongoing mentoring, supervision and review of the engagement team
- managing and documenting the audit.





The new system will genuinely be a workflow – guiding audit teams through a series of steps in a logical sequence aligned to the standards with a clear display of information and visuals, knowledge and guidance available at the moment of need, and with embedded advanced data and analytics (D&A) capabilities.

The workflow and methodology will also be scalable – adjusting the requirements to the size and complexity of the audit engagement. This globally-driven project will significantly overhaul and redesign the execution of an audit by KPMG professionals and drive improvements in audit quality.

KPMG Clara workflow incorporates monitoring capabilities (e.g. data mining) at the engagement level for use by member firms. The predecessor audit workflow tool, eAudit, is expected to be decommissioned in the 2021 fiscal year.

### *Audit Data & Analytics (D&A)*

KPMG's audit, powered by D&A is designed to:

- enhance audit quality; by providing a deeper understanding of data populations, giving focus to higher risk transactions;
- be secure; by restricting access to data both in transit and within KPMG's IT environments; and
- be transparent; by facilitating detailed analysis to uncover the reasons behind, and root causes of, outliers and anomalies and provide increased visibility into higher risk transactions and process areas.

D&A tools and routines are built on principles and professional standards underlying an audit and do not relieve auditors of their responsibilities.

## **Independence, integrity, ethics and objectivity**

### *Overview*

Auditor independence is a cornerstone of international professional standards and regulatory requirements.

KPMG International has detailed independence policies and procedures, incorporating the requirements of the IESBA Code of Ethics. These are set out in KPMG's Global Quality & Risk Management Manual, which applies to all KPMG member firms. Automated tools, which must be used for every prospective engagement to identify potential independence and conflict of interest issues, facilitate compliance with these requirements.

KPMG International has a Partner-in-Charge of the Global Independence Group, who is supported by a core team of specialists to help ensure that robust and consistent independence policies and procedures are in place at KPMG member firms, and that tools are available to help them and their personnel comply with these requirements.

These policies are supplemented by other processes to ensure compliance with the EU Regulation No 537/2014 of 16 April 2014, the Luxembourg law of 23 July 2016 relating to the audit profession and the standards issued by the

CSSF. These policies and processes cover areas such as firm independence, personal independence, post-employment relationships, partner rotation, and approval of audit and non-audit services.

Our firm has a designated Ethics and Independence Partner (EIP) who has primary responsibility for the direction and execution of ethics and independence policies and procedures at KPMG Luxembourg. The EIP is responsible for communicating and implementing KPMG global policies and procedures and ensuring that local policies and procedures are established and effectively implemented when they are more stringent than the global requirements.

The EIP fulfills this responsibility through:

- implementing/monitoring the ethics and independence quality control process and structure within the firm;
- approving/appointing partners responsible for ethics and independence within the firm;
- overseeing the processes related to the evaluation of specific independence threats in connection with clients and prospective clients;
- participating in the development and delivery of training materials;
- monitoring compliance with policies;
- implementing procedures to address non-compliance; and
- overseeing the disciplinary process for ethics and independence matters.

Amendments to KPMG International's ethics and independence policies in the course of the year are included in regular quality and risk communications with member firms.

Member firms are required to implement changes as specified in the email communications, and this is checked through the internal monitoring programs.

Our partners and employees are required to consult with the EIP on certain matters as defined in the Global Q&RM Manual. The EIP may also be required to consult with the Global Independence Group, depending upon the facts and circumstances.

### *Personal financial independence*

KPMG International policies require that KPMG member firms and KPMG professionals are free from prohibited financial interests in, and prohibited financial relationships with, KPMG member firm assurance and audit clients (by definition, 'audit client' includes its related entities or affiliates), their management, directors, and, where required, significant owners. All KPMG partners – irrespective of their member firm and function – are generally prohibited from owning securities of any audit client of any member firm.

KPMG member firms use a web-based independence compliance system (KICS) to assist our professionals in complying with personal independence investment policies. This system contains an inventory of publicly available



investments and provides a tracking mechanism for required users to report acquisitions and disposals of their financial interests. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e. late reporting of an investment acquisition).

All Partners and all manager grade and above client-facing employees are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in publicly traded entities in KICS, which automatically notifies them if any investment subsequently becomes restricted. Newly restricted investments must be disposed of within five business days of the notification. KPMG monitors partner and manager compliance with this requirement as part of our program of independence compliance audits of a sample of professionals. The Global Independence Group provides guidance and suggested procedures relating to the audit and inspection by KPMG member firms of personal compliance with KPMG's independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

#### *Employment relationships*

Any KPMG professional providing services to an audit client irrespective of function is required to notify our EIP if they intend to enter into employment negotiations with that audit client. For partners, this requirement extends to any audit client of any KPMG member firm that is a public interest entity.

Former members of the audit team or former partners of KPMG Luxembourg are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to KPMG Luxembourg, including payments which are not fixed and predetermined and/or would be material to KPMG Luxembourg and ceased participating in KPMG Luxembourg's business and professional activities.

Key audit partners and members of the chain of command for an audit client that is a public interest entity are subject to time restrictions (referred to as "cooling-off" periods) that preclude them from joining that client in certain roles until a defined period of time has passed.

We communicate and monitor requirements in relation to employment and partnership of KPMG Luxembourg professionals by audit clients.

#### *Firm financial independence*

KPMG member firms must also be free from prohibited interests in, and prohibited relationships with, audit clients, their management, directors and, where required, significant owners.

In common with other KPMG member firms, KPMG Luxembourg uses KICS to record its own direct and material indirect investments in listed entities and funds (or similar investment vehicles) as well as in non-listed entities or funds. This includes investments held in pension, and employee benefit plans. Additionally, KPMG Luxembourg is required to record in KICS all borrowing and capital financing relationships, as well as custodial, trust and brokerage accounts that hold member firm assets.

On an annual basis, KPMG Luxembourg confirms compliance with independence requirements as part of the Risk Compliance Program.

#### *Business relationships/suppliers*

Our firm has policies and procedures in place that are designed to ensure that business relationships with audit clients are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements, such as those promulgated by the SEC and CSSF independence requirements.

#### *Independence Clearance Process*

KPMG Luxembourg follows specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities; these procedures, also referred to as 'the independence clearance process,' must be completed prior to accepting an audit engagement for these entities.

#### *Independence training and confirmations*

All KPMG Luxembourg partners and client facing professionals, as well as certain other individuals, must complete independence training that is appropriate to their grade and function upon joining KPMG Luxembourg and on an annual basis thereafter.

New partners and client facing employees who are required to complete this training must do so by the earlier of (a) thirty days after joining KPMG Luxembourg or (b) before providing any services to, or becoming a member of the chain of command for, any audit client (by definition, "audit client" includes its related entities or affiliates).

We also provide all partners and employees with biennial training on:

- the Global Code of Conduct or the KPMG Luxembourg Code of Conduct and ethical behavior, including KPMG's anti-bribery policies, compliance with laws, regulations, and professional standards; and
- reporting suspected or actual non-compliance with laws, regulations, professional standards, KPMG and KPMG's policies.

New partners and employees are required to complete this training within three months of joining KPMG Luxembourg.

All KPMG partners and employees are required to sign, upon joining KPMG Luxembourg and thereafter, an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year.



### *Non-audit services*

All KPMG firms are required, at a minimum, to comply with the IESBA Code of Ethics and applicable laws and regulations related to the scope of services that can be provided to audit clients.

KPMG Luxembourg are required to establish and maintain a process to review and approve all new and modified services that are developed. KPMG Luxembourg's EIP is involved in the review of potential independence issues.

In addition to identifying potential conflicts of interest, Sentinel™, facilitates compliance with these policies. Certain information on all prospective engagements, including service descriptions and fees must be entered into Sentinel™ as part of the engagement acceptance process. When the engagement is for an audit client, an evaluation of potential threats and safeguards is also required to be included in the Sentinel™ submission. Lead audit engagement partners are required to: maintain group structures for their publicly traded and certain other audit clients as well as their related entities or affiliates in Sentinel™, and they are also responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats.

### *Fee dependency*

KPMG International's policies recognize that self-interest or intimidation threats may arise if the total fees from an audit client represent a large proportion of the total fees of the member firm expressing the audit opinion.

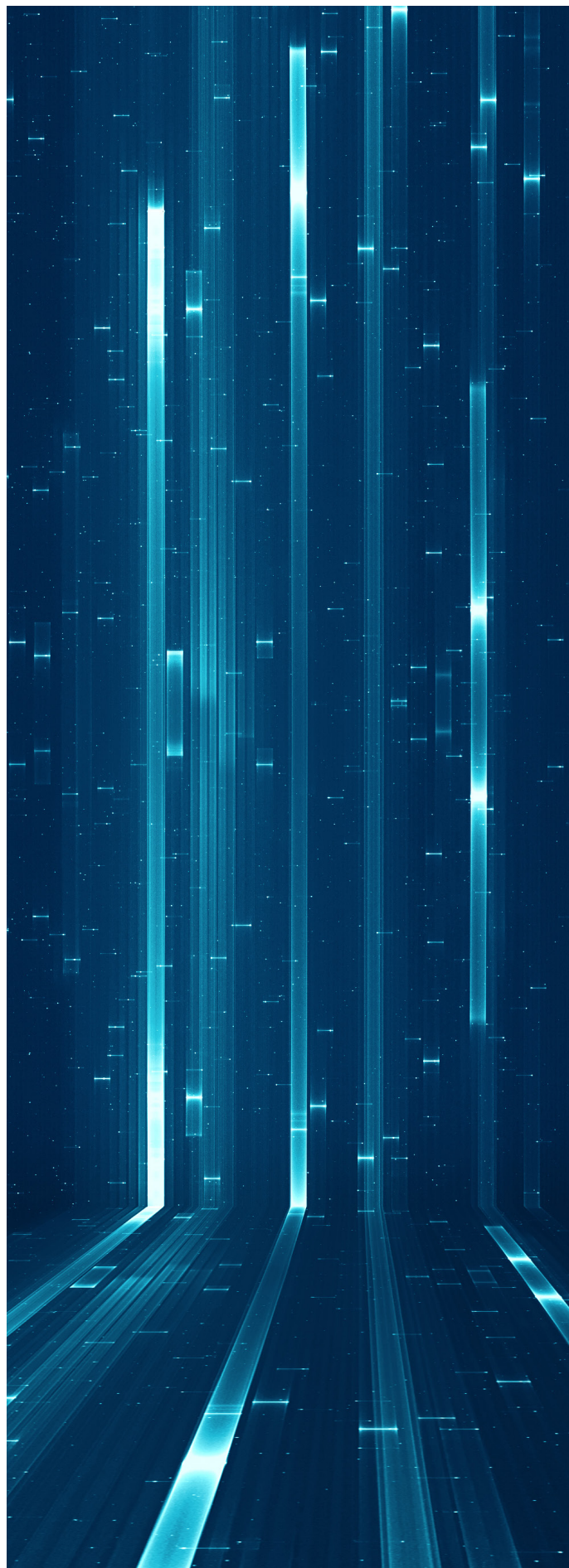
These policies require KPMG member firms to consult with their Area Q&RM Leader where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years. In the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10% of the total fees received by a particular member firm for two consecutive years, these policies further require that:

- This would be disclosed to those charged with governance at the audit client; and
- A senior partner from another member firm would be appointed as the engagement quality control (EQC) reviewer.

No audit client accounted for more than 10% of the total fees received by our firm over the last two years.

### *Resolving Conflicts of interest*

Conflicts of interest can arise in situations where KPMG partners and employees have a personal connection with the client which may interfere, or be perceived to interfere, with their ability to remain objective, or where they are personally in possession of confidential information relating to another party to a transaction. Consultation with the Risk Management Partner (RMP) and/or Ethics & Independence Partner (EIP) is required in these situations.





KPMG International policies are also in place to prohibit KPMG partners and staff from accepting gifts and hospitality from audit clients, unless the value is trivial and inconsequential, is not prohibited by relevant law or regulation and is not deemed to have been offered with the intent to improperly influence the behavior of the audit team member or the member firm. KPMG partners and staff are also precluded from offering inducements, including gifts and entertainment, which are made or perceived to be made with the intent to improperly influence the behavior of the recipient or which would cast doubt on the individual's or the member firm's integrity, independence, objectivity or judgment.

All KPMG member firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that have, or may be perceived to have an impact on a member firm and/or its personnel in their ability to be objective or otherwise act without bias.

All KPMG member firms must use Sentinel™ for potential conflict identification so that these can be addressed in accordance with legal and professional requirements.

KPMG Luxembourg has risk management resources who are responsible for reviewing any identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which must be documented.

Escalation and dispute resolution procedures are in place for situations in which agreement cannot be reached on how to manage a conflict. If a potential conflict issue cannot be appropriately mitigated, the engagement is declined or terminated.

#### *Independence breaches*

All KPMG Luxembourg personnel are required to report an independence breach as soon as they become aware of it to the EIP. In the event of failure to comply with independence policies, whether identified in a compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. All breaches of independence rules must be reported to those charged with governance as soon as possible except where alternative timing for less significant breaches has been agreed to with those charged with governance.

KPMG Luxembourg has a documented and communicated disciplinary policy in relation to breaches of independence policies, incorporating incremental sanctions reflecting the seriousness of any violations.

Matters arising are factored into promotion and compensation decisions and, in the case of engagement leaders, are reflected in their individual quality and risk metrics.

#### *Compliance with laws, regulations, and anti-bribery and corruption*

Compliance with laws, regulation and standards is a key aspect for everyone at KPMG Luxembourg. In particular, we have zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery. We also do not tolerate bribery by third-parties, including by our clients, suppliers or public officials.

Further information on KPMG International anti-bribery and corruption policies can be found on [the anti-bribery and corruption site](#).

#### *Partner and firm rotation*

KPMG International partner rotation policies are consistent with or exceed the IESBA Code of Ethics and require member firms to comply with any stricter applicable rotation requirements.

Our audit partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide audit services to a client, followed by a "time-out" period during which time these partners may not :

- participate in the audit;
- provide quality control for the audit;
- consult with the engagement team or the client regarding technical or industry-specific issues;
- in any way influence the outcome of the audit;
- lead or coordinate professional services at the client;
- oversee the relationship of the firm with the audit client; or
- have any other significant or frequent interaction with senior management or those charged with governance at the client.

Our firm monitors the rotation of audit engagement leaders (and any other key roles, such as the Key Audit Partner and Engagement Quality Control Reviewer, where there is a rotation requirement), and develops transition plans that help audit engagement teams to deliver a consistent quality of service to clients.

KPMG Luxembourg is also subject to mandatory firm rotation requirements under the EU Audit legislation for public interest entity audit clients. The firm has processes in place to track and manage audit firm rotation.

## **Recruitment, development and assignment of appropriately qualified personnel**



One of the key drivers of quality is ensuring that all KPMG professionals have the appropriate skills and experience, passion and purpose, to deliver the highest quality in audit. This requires appropriate recruitment, development, promotion, retention and assignment of professionals. We believe it is essential to attract and retain the best people.





## Recruitment

KPMG Luxembourg is committed to building an extraordinary people experience for all KPMG partners and employees and prospective partners and employees.

Our recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools.

KPMG Luxembourg also recruits significant numbers at an experienced hire and partner level.

All candidates submit an application and are only employed following a variety of selection processes, which may include application screening, competency-based interviews, psychometric and ability testing, and qualification/reference checks. These leverage fair and job-related criteria to ensure that candidates possess the appropriate characteristics to perform competently, are suitable and best placed for their roles.

We recruited at all levels during the year 706 talented people including experienced hires, graduates and trainees.

Where individuals are recruited at senior grades a formal independence discussion is conducted with them by the Ethics and Independence Partner or a delegate.

The Partner hire process is rigorous and thorough, involving appropriate members of leadership. Our criteria for Partner hires are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice.

Upon joining our firm, new personnel are required to participate in a comprehensive on-boarding program, which includes training in areas such as ethics and independence, quality and risk management principles and our people management procedures. Our on-boarding program also includes ensuring that any issues of independence or conflicts of interest are addressed before the individual's employment or partnership commences.

## Personal development

KPMG Luxembourg has launched a new approach to performance development built around the Everyone a Leader performance principles, Open Performance Development, which includes:

- Global role profiles;
- a goal library; and
- Standardized review forms.

Open Performance Development is linked to the KPMG values and designed to articulate what is required for success – both individually and collectively. We know that by being clear and consistent about the behavior we're looking for and rewarding those who role model these behaviors, will enhance our ability to achieve quality and we have articulated this through our performance principles of seeking growth, inspiring trust and delivering impact.

At the same time, we are driving a shift in our performance-driven culture, supported by and enacted through leading technology that allow us to embed audit quality to the assessment of performance and the decisions around reward as well as drive consistency across the Global Organization.

KPMG Luxembourg monitors quality and compliance incidents and maintains quality and compliance metrics in assessing the overall evaluation, promotion and remuneration of partners, directors and managers. These evaluations are conducted by performance managers and partners who are in a position to assess performance.

A culture of continuous improvement is encouraged to drive feedback, both positive and developmental, from both junior and senior colleagues, as well as peers.

In our performance development approach feedback can be sought and received through two mechanisms:

- informal feedback, which should be regular and owned by the individual for their own development and growth, and
- formal feedback through an engagement review form.

In relation to audit, opportunities are provided for professionals to develop the skills, behaviors, and personal qualities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership, and business skills.

KPMG Luxembourg professionals are also developed for high performance through access to coaching and mentoring on the job, stretch assignments, and global mobility opportunities.

A partner development framework is in place that links particular training programs to various partner levels and roles. Partners are encouraged to make use of these development opportunities, and also to contribute to the development of other partners and staff through coaching, mentoring, and teaching on our core programs.

### *Inclusion and Diversity programs*

KPMG Luxembourg works hard to foster an inclusive culture. Being inclusive enables us to bring together successful teams with the broadest range of skills, experiences and perspectives.

Our leadership and management teams also need to reflect the diversity within our firm and the diversity of our clients.

We believe that the established KPMG Global Inclusion and Diversity strategy provides the framework to drive the actions that are necessary to promote inclusive leadership at KPMG Luxembourg and across all KPMG member firms.

We recently held our annual Diversity Summit exclusively for staff this year with staff hosting from all functions and backgrounds sharing their personal experiences and tips on inclusion in the firm and community.



We commit ourselves to bringing awareness to the topics of Inclusion and Diversity by being a signatory of the Luxembourg Diversity Charter, UN Global Compact and consistently progress the I&D agenda through the KPMG Global Inclusion and Diversity maturity model tool.

We have dedicated working groups for Inclusion and Diversity within the firm.

For more about Inclusion & Diversity at KPMG read [here](#).

## Reward and Promotion

KPMG Luxembourg's policy prohibits audit partners from being evaluated on or compensated based on their success in selling non-assurance services to audit clients.

### Reward

Our firm has compensation and promotion policies that are clear, simple, and linked to the performance review process. This helps our partners and employees know what is expected of them, and what they can expect to receive in return. The connection between performance and reward is achieved through calibration meetings where relative performance across a peer group is discussed and used to form reward decisions.

Reward decisions are based on consideration of both individual and organizational (member firm) performance.

The extent to which our people feel their performance has been reflected in their reward is measured through the Global People Survey, with action plans developed accordingly.

### Promotion

The results of performance evaluations directly affect the promotion and remuneration of partners and employees and, in some cases, their continued association with KPMG.

### Partner admissions

Our process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. Our criteria for admission to the KPMG Luxembourg partnership are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice.

Anyone who is being considered for promotion to partner is evaluated against criteria which include evidence of the way that an individual has managed quality and risk as well as their overall adherence to our values.

### Assignment of professionals

Our firm has procedures in place to assign both the engagement partners and professionals to a specific engagement by evaluating their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement.

Function heads are responsible for the process of allocating particular engagement partners to clients. Key considerations include partner experience, accreditation and capacity based on the results of the annual partner portfolio review (see below) to perform the engagement taking into account the size, complexity and risk profile of the engagement and the type of support to be provided (i.e. the engagement team composition and specialist involvement).





Audit engagement leaders are required to be satisfied that their engagement teams have appropriate competencies, training and capabilities, including time, to perform audit engagements in accordance with KAM, professional standards and applicable legal and regulatory requirements. This may include involving specialists from our own or other KPMG member firms or external experts.

When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner's considerations may include the following:

- An understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
- An understanding of professional standards and legal and regulatory requirements;
- Appropriate technical skills, including those related to relevant information technology and specialized areas of accounting or auditing;
- Knowledge of relevant industries in which the client operates;
- Ability to apply professional judgment;
- An understanding of KPMG's quality control policies and procedures; and
- Quality Performance Review (QPR) results and results of regulatory inspections.

As an additional control in Audit (where the services are of more of a recurring nature than across much of the rest of our business), our Head of Audit together with the Audit Group Leaders, under the oversight of the Quality & Risk Management Partner, performs an annual review of the portfolio of all of our Audit engagement leaders.

The purpose of this portfolio review is to look at the complexity and risk of each audit and then to consider whether or not, taken as a whole, the specific engagement leader has the appropriate time, suitable experience and the right level of support to enable him to perform a high-quality audit for each client. This process takes into account the findings of internal and external reviews and the quality and risk metrics.

### Insights from our people – Global People Survey (GPS)

Annually KPMG Luxembourg invites all its people to participate in an independent Global People Survey (GPS) to share their perception about their experience working for KPMG.

The GPS provides an overall measure of our people's engagement through an Engagement Index (EI) as well as insights into areas driving engagement which may be strengths or opportunities. Results can be analyzed by function, area, grade, role and gender to provide additional focus for action.

Additional insight is provided on how we are faring on categories known to impact engagement.

The survey also specifically provides our leadership and KPMG global leadership with results related to quality and risk behaviors, audit quality, upholding the KPMG values, employee and partner attitudes to quality, leadership and tone at the top.

KPMG Luxembourg participates in the GPS, monitors results and takes appropriate actions to communicate and respond to the findings of the survey. The results of the GPS are also aggregated for the entire Global Organization and are presented to the Global Board each year and appropriate follow-up actions are agreed.

### Commitment to technical excellence and quality service delivery



All KPMG Luxembourg professionals are provided with the technical training and support they need to perform their roles.

This includes access to internal specialists and the professional practice department (DPP), either to provide resources to the engagement team or for consultation. Where the right resource is not available within KPMG Luxembourg, access is provided to a network of highly skilled KPMG professionals in other KPMG member firms.

At the same time, audit policies require all KPMG audit professionals to have the appropriate knowledge and experience for their assigned engagements.

### Lifetime learning strategy

#### Formal training

Annual training priorities for development and delivery are identified by the Audit Learning and Development steering groups at global and regional levels and, where applicable, at a local level. Training is delivered using a blend of classroom, digital learning and performance support to assist auditors on the job.

Audit training is mandatory and completion is monitored at country level through a Learning Management System. This allows individuals to monitor their compliance both with their ongoing Continuing Professional Development (CPD) requirements and with KPMG's mandatory training and licensing requirements.

Non-attendance at mandatory training is captured as one of the measures in the quality and risk metrics.

#### Mentoring and on the job training

Learning is not confined to the classroom – rich learning experiences are available when needed through coaching and just-in-time learning, available at the click of a mouse and aligned with job specific role profiles and learning paths. All classroom courses are reinforced with appropriate performance support to assist auditors on the job.



In relation to audit, KPMG Luxembourg:

- deploys a variety of learning solutions that are designed to reinforce the KPMG values and ensure our professionals get the fundamentals right, and develop the necessary skills and attitudes to make judgments, and apply professional skepticism that enhance audit quality and the value of audit;
- provide instructor-led and virtual classroom training, performance support tools, coaching guides and just-in-time learning. Guidance is available on judgmental audit topics – this is used by audit teams and this guidance is embedded across audit learning solutions;
- have also developed professional judgment tools, designed to reinforce the importance of independence and objectivity, and to assist engagement teams in demonstrating professional skepticism;
- provide courses to enhance personal effectiveness and develop leadership and business skills.

### Licensing and mandatory requirements for IFRS and U.S. GAAP engagements

#### Licensing

All KPMG professionals are required to comply with applicable professional license rules and satisfy the Continuing Professional Development (CPD) requirements in the jurisdiction where they practice. Our policies and procedures are designed to facilitate compliance with license requirements.

Our firm is responsible for ensuring that Audit professionals working on engagements have appropriate audit, accounting and industry knowledge and experience in the local predominant financial reporting framework.

#### Mandatory requirements – IFRS and U.S. GAAP engagements

We have accreditation requirements for many of our services (including for US audit and accounting work, International Financial Reporting Standards, Transactions Services and Corporate Finance services) which ensure that only partners and employees with the appropriate training and experience are assigned to clients and are appropriately licensed where necessary.

Similar policies apply to engagements performed outside the U.S. to report on financial statements or financial information prepared in accordance with U.S. GAAP and/or audited in accordance with U.S. auditing standards, including reporting on the effectiveness of the entity's internal control over financial reporting (ICOFR). These require that at a minimum, all partners, managers, engagement in-charges and EQC reviewers assigned to the engagement have completed relevant training and that the engagement team, collectively, has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

Our firm requires that all Audit professionals have to maintain accreditation with their professional bodies and satisfy the Continuing Professional Development requirements of such bodies (at a minimum, professionals comply with IESBA and legal requirements). Our policies and procedures are designed to ensure that those individuals who require a license to undertake their work are appropriately licensed.

### Access to specialist networks

Our engagement teams have access to a network of local and global specialists in KPMG member firms.

Specialists who are members of an audit team and have overall responsibility for specialist involvement on an audit engagement must have the competencies, capabilities and objectivity to appropriately fulfil their role. Training on audit concepts is provided to these specialists.

The need for specialists (e.g. Information Technology, Tax, Treasury, Actuarial, Forensic, Valuation) to be assigned to a specific audit engagement is considered as part of the audit engagement acceptance and continuance process.

### Culture of Consultation

KPMG encourages a strong culture of consultation that supports member firm teams throughout their decision-making processes and is a fundamental contributor to audit quality. We promote a culture in which consultation is recognized as a strength and that encourages all KPMG professionals to consult on difficult or contentious matters. In addition, our Global Q&RM Manual includes mandatory consultation requirements where certain matters are identified such as concerns over client integrity.

Appropriate consultation support is provided to audit engagement professionals through our professional practice resources.

Across our firm, the role of DPP is crucial in terms of the support that it provides to the Audit function. It provides technical guidance to client service professionals on specific engagement-related matters, develops and disseminates specific topic-related guidance on emerging local technical and professional issues and disseminates international guidance on International Financial Reporting Standards (IFRS) and ISAs.

To assist audit engagement professionals in addressing difficult or contentious matters, we have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. Consultation with a team member at a higher level of responsibility than either of the differing parties usually resolves such differences. In other circumstances, the matter may be elevated through the chain of responsibility for resolution by technical specialists. In exceptional circumstances, a matter may be referred to the Head of Audit, Head of DPP, the Quality & Risk Management Partner or ultimately the national Managing Partner.



### *Technical consultation and global resources*

Technical auditing and accounting support is available to all member firms and their professionals through the KPMG Global Solutions Group (KGSG), formally referred to as the Global Solutions Group (GSG) and the ISG as well as the US Capital Markets Group for SEC foreign registrants.

#### *KPMG Global Solutions Group (KGSG)*

The KGSG's mission is to drive success for KPMG's global network of Audit practices through collaboration, innovation and technology. The KGSG develops, maintains and deploys KPMG's global audit methodology and technology-based tools used by KPMG audit professionals to facilitate effective and efficient audits. With three global locations, one in each region, the KGSG Audit team is made up of professionals with backgrounds in audit, IT, data science, mathematics, statistics, and more from around the world who bring diverse experiences and innovative ways of thinking to further evolve KPMG's audit capabilities.

#### *International Standards Group (ISG)*

The ISG works with Global IFRS and ISA topic teams with geographic representation from around the world to promote consistency of interpretation of IFRS and auditing requirements between member firms, identify emerging issues, and develop global guidance on a timely basis.

The ISG also supports the following groups to facilitate information sharing within the DPP network, and to ensure sector-specific issues are dealt with proactively.

- The KPMG Global ISA Panel, chaired by the Global Audit Quality and Risk Management Partner, and which includes senior DPP partners from key member firms and is responsible for monitoring the development of ISA guidance, and the development of response letters to the International Auditing and Assurance Board and/or regulators.
- Global Topic Teams, which formulate guidance on IFRS accounting and reporting practice on sector specific or specific technical areas, and act as central contact points for their regions/home practices in identifying and addressing issues related to relevant topics.
- The Global IFRS Panel is responsible for monitoring the development of IFRS guidance and response letters to the International Accounting Standards Board and/or regulators by the ISG and the Topic Teams. The panel is chaired by the Global IFRS Leader and includes Global IFRS topic leaders

#### *Member firm professional practice resource*

Appropriate consultation support on auditing and technical accounting matters is provided to audit engagement professionals through our professional practice resources (referred to as Department of Professional Practice or DPP). DPP also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Unresolved differences are required to be escalated to senior partners for final resolution. The ISG is also available for consultation when required.

### **Developing business understanding and industry knowledge**

A key part of engagement quality is having a detailed understanding of the client's business and industry.

For significant industries, global audit sector leads are appointed to support the development of relevant industry information, which is made available to audit professionals through the KPMG audit workflow. This knowledge comprises examples of industry audit procedures and other information (such as typical risks and accounting processes).

In addition, industry overviews are available that provide general and business information in respect of particular industries, as well as a summary of the industry knowledge provided in the KPMG audit workflow.

### **Performance of effective and efficient audits**



How an audit is conducted is as important as the final result. Our partners and employees are expected to demonstrate key behaviors and follow policies and procedures in the performance of effective and efficient audits.

### **Ongoing mentoring, supervision and review**

We understand that skills build over time and through exposure to different experiences. To invest in the building of skills and capabilities of KPMG professionals, without compromising on quality, KPMG Luxembourg promotes a continuous learning environment and supports a coaching culture.

Ongoing mentoring, coaching and supervision during an audit involves:

- Engagement partner participation in planning discussions;
- Tracking the progress of the audit engagement;
- Considering the competence and capabilities of the individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the engagement;
- Helping engagement team members address any significant matters that arise during the audit and modifying the planned approach appropriately; and
- Identifying matters for consultation with more experienced team members during the engagement.

A key part of effective monitoring, coaching and supervision is timely review of the work performed so that significant matters are promptly identified, discussed and addressed.

### **Timely engagement quality control (EQC) reviewers**

EQC reviewers are independent of the engagement team and have the appropriate experience and knowledge to perform an objective review of the critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.



The EQC is an important part of KPMG's framework for quality. An EQC reviewer is required to be appointed for audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements as designated by the Quality & Risk Management Partner or Head of Audit.

Although the engagement partner is ultimately responsible for the resolution of financial reporting and auditing matters, the EQC reviewer must be satisfied that all significant questions raised have been resolved before an audit can be considered complete.

We are continually seeking to strengthen and improve the role that the EQC reviewer plays in audits, as this is a fundamental part of the system of audit quality control.

We ensure that the role performed by EQC reviewers is also taken into account when performing the Partner Portfolio Review process to ensure adequacy of time and appropriate skill set for the role and reallocation if needed.

## Reporting

Auditing standards and local legislation or regulation largely dictate the format and content of the auditors' report that includes an opinion on the fair presentation of the client's financial statements in all material respects. Experienced engagement partners form all audit opinions based on the audit performed.

In preparing audit reports, engagement partners have access to extensive reporting guidance and technical support through consultations with the DPP, especially where there are significant matters to be reported to users of the auditors' report (e.g. a modification to the opinion or through the inclusion of an 'emphasis of matter' or 'other matter' paragraph, as well as key audit matters to be communicated).

## Insightful, open and honest two-way communication

Two-way communication with those charged with governance, often identified as the Audit Committee, is key to audit quality and is a key aspect of reporting and service delivery.

At KPMG Luxembourg we stress the importance of keeping those charged with governance informed of issues arising throughout the audit and the need to listen to and to understand their views. We achieve this through a combination of reports and presentations, attendance at Audit Committee or Board meetings, and ongoing discussions with management and members of the Audit Committee.

### *Audit Committee Institute*

In recognition of the demanding and important role that Audit Committees play for the capital markets and also of the challenges that they face in meeting their responsibilities, the Audit Committee Institute (ACI) aims to help Audit Committee members enhance their commitment and ability to implement effective Audit

Committee processes. The ACI operates in more than 40 countries across the globe (including KPMG Luxembourg) and provides Audit Committee members with authoritative guidance (such as the ACI Audit Committee Handbook, as modified for Luxembourg) on matters of interest to Audit Committees; updates on issues like EU audit reform, changes to accounting standards and other matters of interest to Audit Committees (such as cyber security and corporate culture); and the opportunity to network with their peers during an extensive program of technical updates and awareness seminars.

The ACI's offerings cover the array of challenges facing Audit Committees and businesses today – from risk management and emerging technologies to strategy and global compliance.

### *IFRS Institute*

KPMG's Global IFRS Institute provides information and resources to help the Board and Audit Committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial reporting framework.

## Client confidentiality, information security and data privacy

We are committed to providing a secure and safe environment for the personal data and confidential information we hold, as well as protecting the privacy of our clients, service providers and third parties.

The importance of maintaining client confidentiality is emphasized through a variety of mechanisms including the Global and KPMG Luxembourg Code of Conduct, training and the annual independence confirmation process that all KPMG professionals are required to complete.

We have a formal document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with the relevant IESBA requirements as well as other applicable laws, standards and regulations.

We have clear policies on information security that cover a wide range of areas. Data Privacy policies are in place governing the handling of personal information, and associated training is required for all KPMG Luxembourg partners and employees.

Our firm is required to meet the security requirements set out in the Global Information Security Policies and Standards published by KPMG International. Compliance monitoring against these standards and policies is carried out through our internal audit program.

As part of these Global requirements, a National IT Security Officer (NITSO), with the necessary authority, skills and experience, has been appointed to lead the information security function. The NITSO is in charge of the firm's information security program and works closely with the local IT services and Quality and Risk Management. The NITSO also reports to the firm's Senior Management and also to the Global IT Security Officer and Global Head of Information Protection.



## Commitment to continuous improvement



KPMG commits to continually improve the quality, consistency and efficiency of KPMG audits.

Integrated quality monitoring and compliance program enable us to identify quality issues, to perform root cause analysis and develop, implement and report remedial action plans both in respect of individual audit engagements and the overall system of quality control.

The quality monitoring and compliance programs are globally administered and consistent in their approach across all member firms, including the nature and extent of testing and reporting. We compare the results of internal monitoring programs with the results of those of any external inspection programs and take appropriate action.

### Internal monitoring and compliance programs

KPMG Luxembourg monitoring programs evaluate both:

- Engagement performance in compliance with the applicable standards, applicable laws and regulation and KPMG International policies and procedures; and
- KPMG Luxembourg's compliance with KPMG International policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

Our internal monitoring program also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively. These include:

- Quality Performance Reviews (QPR) and Risk Compliance Programs (RCP), which are conducted annually across the Audit, Tax, and Advisory functions;
- A cross functional Global Compliance Review (GCR) program, which is conducted at least every three years.

The results and lessons from the integrated monitoring programs are communicated internally and appropriate action is taken at local, regional and global levels.

#### Annual Quality Performance Reviews (QPRs)

The QPR Program assesses engagement level performance in the Audit, Tax and Advisory functions and identifies opportunities to improve engagement quality.

#### Risk-based approach

Each engagement leader is reviewed at least once in a three year cycle. A risk-based approach is used to select engagements.

We conduct the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG Luxembourg level and are monitored regionally and globally. Member firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the member firm.

#### Reviewer selection, preparation and process

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent of the member firm under review.

Training is provided to review teams and others overseeing the process, with a focus on topics of concern identified by audit oversight regulators and the need to be as rigorous as external reviewers.

In 2019 our QPR Program covered the following:

	Number of engagements reviewed	Number of engagement leaders reviewed
<b>Audit</b>	24	24
<b>Tax</b>	18	14
<b>Advisory</b>	45	25

#### Evaluations from Audit QPR

Consistent criteria are used to determine engagement ratings and member firm Audit practice evaluations.

Audit engagements selected for review are rated as 'Satisfactory', 'Performance Improvement Needed' or 'Unsatisfactory'.

A 'Satisfactory' grading requires both (i) the audit work performed, the evidence obtained and the audit documentation produced to all comply with our internal policies, applicable auditing standards and legal and regulatory requirements and (ii) key judgments concerning significant matters in the audit and the audit opinion itself to have been appropriate.

A 'Performance Improvement Needed' grading is attributed where the auditors' report is generally supported by the work performed and the auditors' report is appropriate but where improvements are necessary in one or more significant area including with respect to the documentation of the work performed.

An 'Unsatisfactory' grading is attributed where the engagement was not performed in accordance with the firm's policy and professional standards in a significant area, in particular where there are significant deficiencies either in the financial statements themselves, the audit work paper documentation or the actual work undertaken.

#### Reporting

Findings from the QPR program are disseminated to member firm professionals through written communications, internal training tools, and periodic partner, manager and staff meetings.

These areas are also emphasized in subsequent monitoring programs to gauge the extent of continuous improvement.

Lead audit engagement partners are notified of less than satisfactory engagements (defined as 'Performance Improvement Needed' or 'Unsatisfactory') ratings on their respective cross-border engagements. Additionally, lead



audit engagement partners of parent companies/ head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR.

#### *Risk Compliance Program (RCP)*

KPMG International develops and maintains quality control policies and processes that apply to all KPMG member firms.

These policies and processes, and their related procedures, include the requirements of ISQC 1.

During the annual RCP, we perform a robust assessment program consisting of documentation of quality controls and procedures, related compliance testing and reporting of exceptions, action plans and conclusions.

The objectives of the RCP are to:

- Document, assess and monitor the extent of compliance of our system of quality control with Global Quality & Risk Management policies and key legal and regulatory requirements relating to the delivery of professional services; and
- Provide the basis for KPMG Luxembourg to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

Where deficiencies are identified, we are required to develop appropriate action plans and monitor the status of each action item.

#### *Global Compliance Review (GCR)*

Each member firm is subject to a GCR conducted by KPMG International's global GCR team, independent of the member firm, at least once in a three-year cycle.

The GCR team performing the reviews is independent of the KPMG member firm and is objective and knowledgeable of Global Quality and Risk Management policies. GCRs assess compliance with selected KPMG International policies and procedures and share best practices among member firms. The GCR provides an independent assessment of:

- Our commitment to quality and risk management (tone at the top) and the extent to which our overall structure, governance and financing support and reinforce this commitment;
- Our compliance with KPMG International policies and procedures; and the robustness with which we perform our own compliance program (RCP).

We develop action plans to respond to all GCR findings and agree these with the GCR team. Our progress on action plans is monitored by the GCR central team.

Results are reported to the Global Quality & Risk Management Steering Group (GQ&RMSG) and, where necessary to appropriate KPMG International and regional leadership, to help ensure timely remedial actions taken by the member firm.

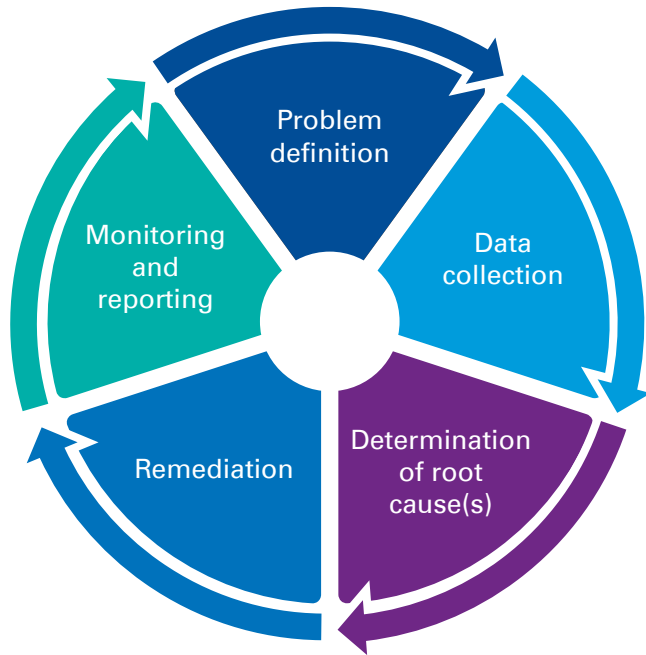
The firm was last subject to a GCR during 2018.





## Root Cause Analysis (RCA)

The Global RCA 5 Step Principles are as follows:



It is the responsibility of member firms to perform RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified.

KPMG Luxembourg's Head of Audit is responsible for the development and implementation of action plans as a result of RCA including identification of solution owners. The Quality & Risk Management Partner monitors their implementation.

### Recommendations for improvement

At a global level, through the Global Audit Quality Issues Council (GAQSC) and the Global Quality and Risk Management Steering Group (GQ&RMSG), KPMG International reviews the results of the quality monitoring programs, analyzes member firm root causes and action plans and develops additional global actions as required.

Global remediation plans developed by KPMG International are aimed at changing culture and behavior across the KPMG Global Organization and at driving consistent engagement team performance within KPMG member firms. The remediation plans have been implemented through the development of global training, tools and guidance to drive consistency, ensure the fundamentals are right and that best practice is shared across the KPMG Global Organization.

## External feedback and dialogue

### Regulators

The firm's audit practice and its registered statutory auditors (réviseurs d'entreprises agréés) are subject to annual inspection by the CSSF.

KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR) to discuss audit quality findings and actions taken to address such issues across the entire organization.

At a regional level, we also have regular dialogue with representatives of the Committee of European Auditing Oversight Bodies (CEAOB) – formerly known as the European Audit Inspection Group (EAIG), as well as the ASEAN Audit Regulators Group (AARG).

### Client feedback

In addition to internal and external monitoring of quality, we operate a formal program where we actively solicit feedback from management and those charged with governance at our clients on the quality of specific services that we have provided to them.

The feedback that we receive from this program is formally considered by our firm and individual client service teams to ensure that we continually learn and improve the levels of client service that we deliver. Any urgent actions arising from client feedback are followed up by the engagement partner to ensure that concerns on quality are dealt with on a timely basis.



# Financial information

The following table shows gross revenues from KPMG Luxembourg, Société coopérative in the year ended 30 September 2019, presented in accordance with Regulation (EU) No 537/2014.

Service	Revenue (EUR 000,000)	Percent
Statutory audit of annual and consolidated financial statements of PIEs and entities belonging to a group of undertakings whose parent undertaking is a PIE	22	10
Statutory audit of annual and consolidated financial statements of other entities	46	20
Permitted non-audit services to entities that are audited by the firm	21	9
Non-audit services to other entities *	141	61
<b>Total</b>	<b>230</b>	<b>100</b>

\* including contractual audits

Aggregated revenues generated by KPMG audit firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was EUR 2.9 billion during the year ending 30 September 2019. The EU/EEA aggregated statutory audit revenue figures are presented to the best extent calculable and translated at the average exchange rate prevailing in the 12 months ended 30 September 2019.

The financial information set forth represents combined information of the separate KPMG member firms from EU and EEA Member States that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.



# Partner remuneration

Partners working in Luxembourg are employees of KPMG Luxembourg, Société coopérative.

Their remuneration packages comprise a base salary and associated benefits as for other employees.

They receive an additional variable element to their pay which is established once the profits for the year have been determined. Remuneration is paid out as salary and bonus in accordance with prevailing company policies and tax laws. The Partner Remuneration Model determines the amounts available for distribution.

The overall process lies under the responsibility of the Managing Partner and the KPMG Luxembourg Executive Committee. The Supervisory Board reviews the process.

The Partner Remuneration Model foresees clear rules for the variable elements including quality of work, excellence in client service, growth in revenue and profitability, leadership, responsibility and living the values of the firm.

Audit partners are explicitly not remunerated for non-audit services sold to their audit clients.

In Luxembourg, partners contribute to a common pension scheme operated for all employees meeting certain pre-defined seniority criteria for the firm (employee funded only).



# Network arrangements

## Legal structure



The independent member firms of the KPMG network (including KPMG Luxembourg, Société coopérative) are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law.

KPMG International carries on business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to clients.

Professional services to clients are exclusively provided by its member firms.

One of the main purposes of KPMG International is to facilitate the provision by member firms of high-quality Audit, Tax, and Advisory services to their clients. For example, KPMG International establishes and facilitates the implementation and maintenance of uniform policies, standards of work and conduct by member firms, and protects and enhances the use of the KPMG name and brand.

KPMG International is an entity that is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture, or in a principal or agent relationship or partnership with each other.

No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

The name of each audit firm that is a member of the network and the countries in which each network member firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available in [Appendix 4](#).

## Responsibilities and obligations of member firms



Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This

includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

Each member firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of [KPMG values](#).

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the Global Board and consistently applied to the member firms.

A firm's status as a KPMG member firm and its participation in the KPMG network may be terminated if, among other things, it has not complied with the policies and regulations set by KPMG International or any of its other obligations owed to KPMG International.

## Professional Indemnity Insurance

Insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis and is principally written through a captive insurer that is available to all KPMG member firms.

## Governance structure



The key governance and management bodies of KPMG International are the Global Council, the Global Board, and the Global Management Team.

### *Global Council*

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms.

It performs functions equivalent to a shareholders' meeting (albeit that KPMG International has no share capital and only has members, not shareholders).

Among other things, the Global Council elects the Global Chairman for a term of up to four years (renewable once) and also approves the appointment of Global Board



members. It includes representation from 59 member firms that are 'members' of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

### Global Board

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Global Board include approving strategy, protecting and enhancing the KPMG brand, overseeing management of KPMG International, and approving policies and regulations. It also admits member firms.

The Global Board includes the Global Chairman, the Chairman of each of the three regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA)) and a number of senior partners of member firms.

It is led by the Global Chairman, who is supported by the Executive Committee, consisting of the Global Chairman, the Chairman of each of the regions and currently three other senior partners of member firms.

The list of Global Board members, as at 1 October 2019 is available in the [KPMG Global Review](#).

One of the other Global Board members is elected as the lead director by those Global Board members who are not also members of the Executive Committee of the Global Board ("non-executive" members). A key role of the lead director is to act as liaison between the Global Chairman and the "non-executive" Global Board members.

### Global Management Team

The Global Board has delegated certain responsibilities to the Global Management Team. These responsibilities include developing global strategy by working together with the Executive Committee. The Global Management Team also supports the member firms in their execution of the global strategy and is responsible for holding them accountable for commitments.

It is led by the Global Chairman and includes the Global Chief Operating Officer, Global Chief Administrative Officer, global function and infrastructure heads, and the General Counsel.

The list of Global Management Team members as at 1 October 2019 is available in the [KPMG Global Review](#).

### Global Steering Groups

The Global Steering Groups represent the function and infrastructure groups of KPMG International and are the main driving groups of the organization. They act under delegated authority from the Global Board and oversight by the Global Management Team, in particular the Global Audit Steering Group, Global Audit Quality Steering Committee and Global Quality Risk Management Steering Group work closely with regional and member firm leadership to:

- Establish and communicate appropriate audit and quality/risk management policies;
- Enable effective and efficient risk processes to promote audit quality;

- Proactively identify and mitigate critical risks to the network.

The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in section 'Governance and leadership' of the [KPMG International Transparency Report](#).

Each member firm is part of one of three regions (the Americas, ASPAC, and EMA). Each region has a Regional Board comprising a regional Chairman, regional Chief Operating Officer, representation from any sub-regions, and other members as appropriate. Each Regional Board focuses specifically on the needs of member firms within their region and assists in implementation of KPMG International's policies and processes within the region.

Members of the Global Board and Global Management Team are members of the various network firms.

Such members perform these roles on behalf of KPMG International and in that capacity do not act for KPMG Luxembourg.

Further details about KPMG International including the governance arrangements, can be found in section 'Governance and leadership' of the [KPMG International Transparency Report](#).

## Area Quality & Risk Management Leaders



The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders (ARL) who serve a regular and ongoing monitoring and consultation function to assess the effectiveness and processes to identify, manage and report significant risks that have the potential to damage the KPMG brand. Significant activities of the ARL, including member firm and related member firm response/remediation, are reported to Global Quality and Risk Management (GQ&RM) leadership. The objectives of the ARL role are to:

- assist GQ&RM leadership in the monitoring of member firms' quality and risk activities;
- work with GQ&RM leadership and the International Office of General Counsel (IOGC) when significant brand and legal risk issues occur to assist in ensuring that matters are properly handled; and
- assist in monitoring the effectiveness of member firm remediation of significant issues, including identification of the root cause(s) of serious quality incidents.



# Statement by KPMG Luxembourg Executive Committee on effectiveness of quality controls and independence

The measures and procedures that serve as the basis for the system of quality control for KPMG Luxembourg, Société coopérative outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by KPMG Luxembourg, Société coopérative comply with the applicable laws and regulations.

The Executive Committee of KPMG Luxembourg has considered:

- The design and operation of the quality control systems as described in this report; and
- The findings from the various compliance programs operated by our firm (including the KPMG International Compliance Programs and our local compliance monitoring programs); and
- Findings from regulatory inspections and subsequent follow up and/or remedial actions.

Taking all of this evidence together, the KPMG Luxembourg Executive Committee confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to 30 September 2019.

Further, the KPMG Luxembourg Executive Committee confirms that an internal review of independence compliance within our firm has been conducted in the year to 30 September 2019.



# Appendix 1

## Key legal entities and areas of operation

The key legal entities delivering services that were part of our firm ('KPMG Luxembourg') during the year to 30 September 2019 are noted below.

Name of Entity	Legal Structure	Regulatory Status	Nature of Business	Area of Operation
KPMG Luxembourg, Société coopérative	Luxembourg Private Limited Liability Cooperative Company	Cabinet de révision agrée Experts comptables	Audit, Tax and Advisory services	Luxembourg
KPMG Services S.à r.l.	Luxembourg Private Limited Liability Company	Professionel du Secteur Financier	IT services	Luxembourg



# Appendix 2

## Details of those charged with governance at KPMG Luxembourg

The Executive Committee of KPMG Luxembourg exists to deal with local strategic and operational matters in Luxembourg. The Supervisory Board is a non-executive oversight body. Details of the members of both of those bodies and the roles that they have held for the Luxembourg firm are as follows:

### Senior Leadership Team

<b>Philippe Meyer</b> * **	Managing Partner
<b>Sébastien Labbé</b> *	Head of Tax
<b>Pascal Denis</b> *	Head of Advisory
<b>Emmanuel Dollé</b> *	Head of Audit
<b>Fabrice Leonardi</b> *	Chief Operating Officer
<b>Stephen Nye</b> ***	Quality & Risk Management Partner and Ethics & Independence Partner
<b>Frauke Oddone</b>	Head of Markets
<b>Thierry Ravasio</b>	Head of People

### Supervisory Board

<b>Patrick Wies</b>	Chairman
<b>Ravi Beegun</b>	Head of Asset Management
<b>Gerard Laures</b>	Tax Partner
<b>Laurence Lhote</b>	Head of Indirect Tax
<b>Petra Schreiner</b>	Audit Partner

\* Executive Committee member and gérant of KPMG Luxembourg, Société coopérative

\*\* Member of the Global Council of KPMG International

\*\*\* Has a permanent seat at the Executive Committee





# Appendix 3

## Public Interest Entities

The list of public interest entity audit clients for which KPMG Luxembourg, Société coopérative has signed an audit opinion in the year ended 30 September 2019 is given below.

The definition of public interest entity for this purpose is that given under the provisions of Art. 1 (20) of the law of 23 July 2016 concerning the audit profession.

Aberdeen Standard SICAV 1	CPI Property Group S.A.	Nestlé Finance International Ltd.
ADO Properties S.A.	CRC Breeze Finance S.A.	NORD/LB Luxembourg S.A. Covered Bond Bank
Avanzia Bank S.A.	Credit Suisse (Luxembourg) S.A.	Orco Property Group S.A.
AFI.ESCA Luxembourg S.A.	DB Re S.A.	Perpetuum SICAV-FIS S.A.
Agate Assets S.A.	DB Vita S.A.	Prunelli Issuer I S.à r.l.
Alpha Trains Finance S.A.	DekaBank Deutsche Girozentrale Luxembourg S.A.	RiverBank S.A.
AmTrust Captive Solutions Limited S.A.	Deutsche Bank Luxembourg S.A.	Robeco (LU) Funds III
AmTrust Insurance Luxembourg S.A.	EQT Mid-Market Credit SV S.A.	Robeco All Strategies Funds SICAV
Andbank Luxembourg S.A.	ERGO Life S.A.	Robeco Capital Growth Funds SICAV
Aroundtown S.A.	Eurobank Private Bank Luxembourg S.A.	Robeco Global Total Return Bond Fund SICAV
Ashmore SICAV	Euromaf Re S.A.	Robeco QI Global Dynamic Duration
B&M European Value Retail S.A.	European Directories BondCo S.C.A.	ROOF Leasing Austria S.A.
Banco Bradesco Europa S.A.	European Sicav Alliance	RSA Luxembourg S.A.
Bank GPB International S.A.	Fideuram Bank (Luxembourg) S.A.	SB Capital S.A.
Bank Julius Baer Luxembourg S.A.	FMC Finance VIII S.A.	Secured Growth Finance Opportunities SICAV-FIS
Banque BCP S.A.	FWU Life Insurance Lux S.A.	Sigma Fund SICAV
Banque de Luxembourg S.A.	Globality S.A.	Silk
Banque Degroof Petercam Luxembourg S.A.	Grand City Properties S.A.	Silver Arrow S.A.
Banque Hapoalim (Luxembourg) S.A.	Hollenfels RE S.A.	SMBC Nikko Bank (Luxembourg) S.A.
Bantleon Anleihenfonds FCP	Industrial and Commercial Bank of China (Europe) S.A.	Spandilux S.A.
Bantleon Opportunities FCP	Industrial Ré S.A.	Stabilus S.A.
Bantleon Select SICAV	ING Belgium International Finance S.A.	Sumitomo Mitsui Trust Bank (Luxembourg) S.A.
Bavarian Sky S.A.	ING Luxembourg S.A.	The Shipowners' Mutual Protection & Indemnity Association (Luxembourg)
BBGI SICAV S.A.	Intesa Sanpaolo Bank Luxembourg S.A.	Vianden RCG Re S.C.A.
Breeze Finance S.A.	ITI Funds UCITS ETF SICAV	
Bumper 7 S.A.	Koromo S.A.	
Canal Re S.A.	La Mondiale Europartner S.A.	
Citigroup Global Markets Funding Luxembourg S.C.A.	Logwin AG	
Clearstream Banking S.A.	NB Aurora S.A. SICAF-RAIF	
Compagnie De Banque Privée Quilvest S.A.		



# Appendix 4

## List of KPMG audit entities located in the EU & EEA as at 30 September 2019

This is a list of KPMG audit firms as defined in Article 2 (3) of EU Directive 2006/43/EC which are located in EU/EEA countries. It has been prepared solely for the purpose of compliance by KPMG member firms with Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC. It is prepared by KPMG International Cooperative ('KPMGI'), a Swiss entity which provides no professional services to clients. To the best of our knowledge, the list is accurate as of 30 September 2019. However, we cannot and do not warrant its accuracy at any given time.

Location	Firm name
Austria	KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Wien)
Austria	KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Wien)
Austria	KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Linz)
Austria	KPMG Niederösterreich GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
Austria	Plan Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Wien)
Austria	Securitas Revisions- und Treuhandgesellschaft m.b.H.
Austria	T&A Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH
Belgium	KPMG Bedrijfsrevisoren / KPMG Réviseurs d'Entreprises
Bulgaria	KPMG Audit OOD
CEE	KPMG CEE Holdings Limited
Croatia	KPMG Croatia d.o.o. za reviziju
Cyprus	KPMG
Cyprus	KPMG Limited
Czech Republic	KPMG Česká republika Audit, s.r.o.
Denmark	KPMG P/S
Estonia	KPMG Baltics OÜ
Finland	KPMG Oy Ab
Finland	KPMG Julkistarkastus Oy
France	KPMG Associés S.A.
France	BRAUN EXPERTISE COMPTABLE ET COMMISSARIAT AUX COMPTES — BEC
France	FUTIN Associés
France	KPMG Audit DFA S.A.S.
France	KPMG Audit Est S.A.S.
France	KPMG Audit FS I S.A.S.
France	KPMG Audit ID S.A.S.



Location	Firm name
France	KPMG Audit IS S.A.S.
France	KPMG Audit Nord S.A.S.
France	KPMG Audit Normandie S.A.S.
France	KPMG Audit Ouest S.A.S.
France	KPMG Audit Paris et Centre S.A.S.
France	KPMG Audit Rhône Alpes Auvergne S.A.S.
France	KPMG Audit Sud-Est S.A.S.
France	KPMG Audit Sud-Ouest S.A.S.
France	KPMG Fiduciaire de France
France	KPMG SA
France	SALUSTRO REYDEL S.A.
Germany	KPMG AG Wirtschaftsprüfungsgesellschaft
Germany	ATH Allgemeine Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft
Germany	EUREVISIO GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
Germany	KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
Germany	KPMG Prüfungs-und Beratungsgesellschaft für den Öffentlichen Sektor Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Gibraltar	KPMG Limited
Greece	KPMG Certified Auditors S.A.
Greece	KPMG Auditing A.E.
Hungary	KPMG Hungária Kft./KPMG Hungary Ltd.
Iceland	KPMG ehf.
Ireland	KPMG
Italy	KPMG S.p.A.
Italy	KPMG Audit S.p.A.
Latvia	KPMG Baltics AS
Liechtenstein	KPMG (Liechtenstein) AG
Lithuania	'KPMG Baltics' UAB
Luxembourg	KPMG Luxembourg
Malta	KPMG
Netherlands	KPMG Accountants N.V.
Norway	KPMG Holding AS
Norway	KPMG AS
Poland	KPMG Audyty Services Sp z o.o.
Poland	KPMG Audyty Sp. Z ograniczona odpowiedzialnościami
Poland	KPMG Audyty Sp. Z ograniczona odpowiedzialnościami Spółka Komandytowa
Portugal	KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.
Romania	KPMG Audit SRL
Slovakia	KPMG Slovensko spol. s r.o.
Slovenia	KPMG Slovenija, podjetje za revidiranje, d.o.o.
Spain	KPMG Auditores, S.L.
Sweden	KPMG AB
United Kingdom	KPMG LLP
United Kingdom	KPMG Audit Holdings Limited
United Kingdom	KPMG Audit Plc
United Kingdom	KPMG Holdings Limited
United Kingdom	KPMG Overseas Services Limited

[www.kpmg.lu](http://www.kpmg.lu)



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